



FULL COMMISSION MEETING  
Berry Hill Conference Center  
South Boston, Virginia  
Thursday, April 24, 2003 - 11:00 a.m.

**APPEARANCES:**

Senator Charles R. Hawkins, Chairman  
Delegate Terry G. Kilgore, Vice Chairman  
Thomas W. Arthur  
Stephen S. Banner  
The Honorable John Bennett, Secretary of Finance  
Delegate Kathy J. Byron  
J. Carlton Courter, III - Commissioner of the Department of Agriculture  
Delegate Allen W. Dudley  
Fred M. Fields  
L. Jackson Hite  
Delegate Clarke N. Hogan  
Isiah G. Hopkins  
Delegate Joseph P. Johnson, Jr.  
Buddy Mayhew  
H. Ronnie Montgomery  
Claude B. Owen, Jr.  
Senator Phillip P. Puckett  
Senator Frank M. Ruff  
Michael J. Schewel, Secretary of Commerce and Trade  
John Stallard  
Mary Sue Terry  
James C. Thompson  
John T. Taylor  
APPEARANCES: (cont'd)  
Gary D. Walker  
Senator William C. Wampler, Jr.  
Thomas E. West  
Delegate Thomas C. Wright, Jr.

**COMMISSION STAFF:**

Carthan F. Currin, III, Executive Director  
Mary Cabell Sherrod, Manager of Communications and

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**ATTORNEY GENERAL'S OFFICE:**

Frank Ferguson, Senior Assistant Attorney General  
Anne Marie Cushmac, Senior Assistant Attorney General  
Stephanie Hamlett, Senior Assistant Attorney General

SENATOR HAWKINS: I'll ask everyone to take their seat and I'll call this meeting to order. Thank you all for coming. Before we get started today, I want to announce that one of our Commission members, his nephew was killed in Iraq, Tucker Watkins' nephew. He was missing for several weeks, and he was finally declared killed in action in Iraq. That's the sixth Virginian we have lost to this war. Not only is Tucker a member of this Commission, but Major Watkins is a son of Halifax County and South Boston. So before we get started I'd like to ask you to observe a moment of silence to remember the family, a Commission member and the price that this family has paid to stay free. Thank you all.

Next, I'd like to recognize Scott Morris. Scott, thank you for last night, you did a magnificent job. This Berry Hill Conference Center is probably one of the most magnificent facilities I've ever been to, everything is perfect. You all have an absolute jewel here. One of the things we do at the Tobacco Commission is try to promote things, and this is unique, and Berry Hill certainly does add to the ability to sell this area. You all should be commended for what you're all doing here.

Carthan, call the roll.

MR. CURRIN: Mr. Arthur?

MR. ARTHUR: Here.

MR. CURRIN: Mr. Banner?

MR. BANNER: Here.

MR. CURRIN: Secretary Bennett?

SECRETARY BENNETT: Here.

MR. CURRIN: Mr. Bryant?

MR. BRYANT: (No response.)

MR. CURRIN: Delegate Byron?

DELEGATE BYRON: Here.

MR. CURRIN: Commissioner Courter?

COMMISSIONER COURTER: Here.

MR. CURRIN: Delegate Dudley?

DELEGATE DUDLEY: Here.

MR. CURRIN: Mr. Fields?

MR. FIELDS: Here.

MR. CURRIN: Mr. Hite?

1 MR. HITE: Here.  
2 MR. CURRIN: Delegate Hogan?  
3 DELEGATE HOGAN: Here.  
4 MR. CURRIN: Mr. Hopkins?  
5 MR. HOPKINS: Here.  
6 MR. CURRIN: Delegate Johnson?  
7 DELEGATE JOHNSON: Here.  
8 MR. CURRIN: Mr. Leigh?  
9 MR. LEIGH: (No response.)  
10 MR. CURRIN: Mr. Mayhew?  
11 MR. MAYHEW: Here.  
12 MR. CURRIN: Mr. Montgomery?  
13 MR. MONTGOMERY: Here.  
14 MR. CURRIN: Mr. Owen?  
15 MR. OWEN: Here.  
16 MR. CURRIN: Senator Puckett?  
17 SENATOR PUCKETT: Here.  
18 MR. CURRIN: Senator Ruff?  
19 SENATOR RUFF: Here.  
20 MR. CURRIN: Secretary Schewel?  
21 SECRETARY SCHEWEL: Here.  
22 MR. CURRIN: Mr. Stallard?  
23 MR. STOLLARD: Here.  
24 MR. CURRIN: Mr. Taylor?  
25 MR. TAYLOR: Here.  
26 MR. CURRIN: Ms. Terry?  
27 MS. TERRY: Here.  
28 MR. CURRIN: Mr. Thompson?  
29 MR. THOMPSON: Here.  
30 MR. CURRIN: Mr. Walker?  
31 MR. WALKER: Here.  
32 MR. CURRIN: Senator Wampler?  
33 SENATOR WAMPLER: Here.  
34 MR. CURRIN: Mr. Watkins?  
35 MR. WATKINS: (No response.)  
36 MR. CURRIN: Mr. West?  
37 MR. WEST: Here.  
38 MR. CURRIN: Mr. Williams?  
39 MR. WILLIAMS: (No response.)  
40 MR. CURRIN: Delegate Wright?  
41 DELEGATE WRIGHT: Here.  
42 MR. CURRIN: Mr. Vice Chairman?  
43 DELEGATE KILGORE: Here.  
44 MR. CURRIN: Mr. Chairman?

1 SENATOR HAWKINS: Here. Thank you. Mr. Bryant and Mr. Williams, they  
2 both said they'd love to be here but their fields are calling and they had no other option. We'll miss  
3 them but we'll carry on, that job has to be done.

4 Next I'll turn it over to Senator Frank Ruff. Thank you for having us in your district and  
5 appreciate being here.

6 SENATOR RUFF: Mr. Chairman, it's fantastic to be here in Halifax County and  
7 at Berry Hill. We appreciate the hospitality of the business community and our colleagues for  
8 providing the refreshments and entertainment last night, R. B. Clark, and we're glad to show off this  
9 community.

10 SENATOR HAWKINS: Delegate Hogan, this is in your backyard, would you  
11 like to make a comment?

12 DELEGATE HOGAN: Yes, Mr. Chairman. Just to echo what Senator Ruff said  
13 and we want to welcome you all here to our humble abode. I'd like to also welcome Britt Nelson,  
14 who's a new staff person with the Commission and is moving here to set up an office to oversee these  
15 grants, and we certainly want to welcome her here and look forward to having her. She may be my  
16 neighbor here shortly, so we hope this will work out. You know, it's fun to talk bad about the French  
17 and look around here and thank them for their leaving, and this facility is now in American hands,  
18 and we're certainly happy.

19 SENATOR HAWKINS: The best thing they could have done for us.

20 DELEGATE HOGAN: Yes, we thank them for that. Thank you all for coming  
21 and hope you have a good stay. I thank you all for last night's reception and the local Halifax  
22 Industrial Development Authority, Southside Community College, Danville Community College,  
23 Longwood University, the Higher Ed Center, Virginia International Raceway, the county and town  
24 and the Lake Country Marketing Council put on the reception last night, and for that we thank them.

25 SENATOR HAWKINS: I want to thank you all again, I thought last night went  
26 extremely well.

27 Next, Carthan will give the Executive Director's Report. Before we do that let's go ahead  
28 and approve the Minutes. It's been moved and seconded that we approve the Minutes for the March  
29 4th meeting. All those in favor say aye? (Ayes.) Opposed? (No response.) Now we'll hear the  
30 Executive Director's Report and budget presentation.

31 MR. CURRIN: Mr. Chairman and members of the Commission, I'd also like to  
32 extend a welcome to several folks representing local government and other entities within Southside  
33 and Southwest. We also welcome members of the Forest Estate, and they're here with us today.

34 Mr. Chairman, in your packets there's a spreadsheet listing all the deal closing grants that  
35 have been finalized to date since our inception. In addition to the twenty-six awards totaling 5.1  
36 million dollars there is another twelve grants pending, and we continue, of course, to receive  
37 requests.

38 Leveraging opportunities, the Commission continues to work toward looking at other  
39 opportunities to leverage our moneys with the foundations and corporate entities within the  
40 Commonwealth. I've had recent discussions on that matter with Virginia Dominion Power, who have  
41 expressed interest in helping fund some marketing initiatives both in Southside and Southwest, and as  
42 those discussions continue to solidify I'll keep you up to date on that.

43 The Staff will also be working with Senator Wampler's Special Projects Committee to  
44 develop and fine-tune our guidelines for Special Project applications. We hope to have those

1 guidelines to you at the July meeting, which is at Longwood University.

2 Mr. Rosenthal will be giving you an update shortly on this year's indemnification  
3 payments, but I wanted to make you aware their contract expires after this year, so the Commission  
4 will need to issue an RFP later this year for the new contract commencing 2004.

5 Under the term Cash Management, if you recall last spring the Commission approved  
6 changing our grant distribution policies to a reimbursement basis rather than direct allocations to the  
7 grantee. As you can see from this chart our cash balances have gone up significantly in fiscal year  
8 '03 due to this change in policy. That means we're able to earn more interest and better monitor the  
9 progress of the grants.

10 Our annual Master Settlement Agreement Payments, just to bring you up to date on how  
11 the actual MSA revenues compares with the forecasted amounts. This graph shows the annual total  
12 for our first five years of existence. The first part reflects the unadjusted amount estimated in the  
13 original MSA agreement. The blue bar shows the adjusted revenue forecast for the Virginia  
14 Department of Treasury through Global Insight. This takes into account the adjustment for inflation,  
15 domestic consumption and other factors that affect the MSA revenue.

16 The green bar shows what was actually received in fiscal year 2000 through 2003. As you  
17 all are probably aware we have received 54 million on April 15th. An additional 1.9 million was  
18 received last Friday. Even though the actual amount received in fiscal year '03 was slightly under the  
19 latest forecast, our '03 budget based on last year's forecast, which was 73.8 million dollars instead of  
20 the latest forecast of 75.7 million.

21 The third quarter financial statements are in your packet. As you saw on the last line, our  
22 total '03 MSA revenue was 74.2 million, which was just over our budgeted amount by three hundred  
23 thousand. Thanks to Friday's additional payment, interest earned for the second quarter, seven  
24 hundred and seventy-four thousand four hundred and twelve dollars. Third quarter interest should be  
25 posted some time this week. As happened last year, fourth quarter interest this year and next year is  
26 going to the general fund due to the language in the Appropriation Act. Last year six hundred and  
27 sixty-nine thousand fourth quarter interest went to the general fund. This year our contribution to the  
28 general fund will probably be greater, since the reimbursement policies we have in place now better  
29 manage the cash.

30 Let me talk to you for a moment about a couple of budget scenarios that the Staff worked  
31 up and I presented to the Executive Committee last night. The budget in your packet presents two  
32 scenarios. One takes a more conservative approach and the other assumes that we receive in April  
33 2004 MSA payments as forecasted. We will no longer receive a payment in January, so our next  
34 MSA payment will be April of 2004, which is forecasted to be sixty-four million dollars. The more  
35 conservative approach would give the Commission more flexibility by keeping securitization an  
36 option in the coming year. The conservative budget follows more closely to what the annual cash  
37 flows would have been if we securitized. If we do not securitize the Commission could deposit any  
38 excess revenues into the endowment created for securitization proceeds and begin establishing its  
39 own endowment even without securitization. The Commission could also choose to amend the  
40 budget later in the year once the April MSA payment is received. Budgeting more conservatively  
41 would give us more in case MSA revenues are less than forecasted. The decision does not need to be  
42 made today, but it's something for your consideration as we look to the full budget.

43 The Executive Committee met to discuss the '04 budget, and the recommendation was to  
44 postpone approving distributions to the Commission's major priority areas to give the Full

1 Commission more time to review the various scenarios and discuss major funding priorities in the  
2 upcoming year. Assuming we do not securitize, this budget is for funds we would not receive until  
3 April 2004. So there is not a great urgency to determine these distributions at this time. However,  
4 we do need an administrative budget in place before July 1.

5 Senator Ruff's Education Committee expressed a need to go ahead and approve scholarship  
6 funding for the fall tuition so the students know what their financial assistance will be from the  
7 Commission.

8 The '04 administrative budget with the matter of salaries and fringe benefits includes the  
9 cost for existing positions. To date the Executive Committee has directed me not to include the cost  
10 of a new Managing Director of Strategic Investments. This line item has decreased slightly due to  
11 one research analyst position funded that was not filled this year.

12 The contractual services line item includes expenses such as the indemnification  
13 processing and legal fees. It's slightly higher due to the additional auditing fees in the  
14 indemnification process that's required by the Auditor of Public Accounts and for other costs,  
15 announcements, meetings and those kinds of things. The transfer amount indicated in the  
16 Appropriations Act that is transferred to the Department of Taxation and the Attorney General's  
17 Office for the Master Settlement Agreement enforcement. Agency service charges are higher due to  
18 the increased charges from VDACS this fiscal year. The pie chart shows how the '04 administrative  
19 budget is currently constructed. The next chart gives you a quick picture of the '04 budget and the  
20 portion that would be needed to be distributed in the coming months, which obviously to date would  
21 be the bulk of the funds that the Commission has at its disposal.

22 Upcoming meetings will be July 10th at Longwood University, and our fall meeting is  
23 scheduled for October 16th in the great Southwest, as Mr. Fields tells me at the University of  
24 Virginia's College at Wise.

25 SENATOR HAWKINS: Thank you, sir. Any questions of the Executive  
26 Director?

27 SECRETARY SCHEWEL: I'm not sure what the protocol is, so please correct  
28 me, but I have a question about the budget, so should I raise it now?

29 SENATOR HAWKINS: I'll recognize you, because I was going to bring up that  
30 subject matter, and we'll talk about that, some moneys for the Search Committee for this position.  
31 The reason we want to deal with the administrative budget and the education piece is that July 1 is  
32 the date we have to keep in mind when the year starts. The budget that's been presented has not had  
33 enough time to be absorbed by the Commission members because of the time frame due to the  
34 uncertainty that we had with receiving moneys based on the MSA payment. As everyone knows, we  
35 had a week or two of uncertainty, and we had to make sure the moneys were in hand before we could  
36 start making commitments. The moneys have been received now, and we'll take a look at the budget.  
37 I think it's very important for us to be able to have an understanding about the amount of money that  
38 we're dealing with prior to obligating our funds, which is an understatement. Due to those particular  
39 circumstances I think it would be prudent for us to postpone that discussion on the overall budget  
40 until the July meeting when we'll have time to look at these scenarios and make some  
41 recommendations and suggestions, because this is too important to vote on without knowledge of all  
42 the ins and outs. The budget we have before us now is removing some moneys that were initially put  
43 in for a new position that would oversee the applications that we receive from our communities and  
44 make sure they met certain business standards and do those things which we would do in a business

1 plan. The reason we suggested removing that from this particular budget, because we'll deal with  
2 that after the Search Committee, chaired by Mr. Owen, reports to us on what direction we're going  
3 and what options we have, and we'll deal with that at the July meeting as well and look at the overall  
4 budget. There are some very strong feelings about the need for this position, and I understand that as  
5 well. Secretary Schewel has some comments about that particular position.

6 SECRETARY SCHEWEL: Thank you, Mr. Chairman. My first question is that  
7 in our administrative budget that has been recommended do we include money for the search portion  
8 of it at all, or have we eliminated the money for the search portion as well as the salary portion?

9 MS. WASS: The majority of the costs will fall in FY'03, I did allow the last  
10 portion of that payment, and I put it in the FY'04 budget.

11 SENATOR HAWKINS: Mr. Secretary, it has to do with we have the flexibility  
12 to deal with that as we go along with that.

13 SECRETARY SCHEWEL: So is it anticipated that we go through the search  
14 process and then once we've identified a group of prospective candidates, and we get a sense of who's  
15 out there and how much it'll cost and the talent they bring to the table, will we then make a decision  
16 based on where we are as to whether we want to in fact hire that person as a staff person and then  
17 fund the salary or decide not to do it and do it some other way, or we go through the process and  
18 explore what our possibilities are?

19 SENATOR HAWKINS: That's my understanding, Mr. Secretary, and also look  
20 at all the options we have available to us. It has been mentioned we may have two avenues, one  
21 would be a full-time employee and the other would be a contractual relationship with a firm, which is  
22 a new thought which has not been pursued that I know of. I think we need to leave all the avenues  
23 open until we determine what's in the best interest of this Commission and the Commonwealth. I  
24 think Mr. Owen needs to continue with his work and report back to us.

25 SECRETARY SCHEWEL: In terms of this budget before us, approval of that  
26 budget basically includes within it the fact of the authorization to Mr. Owen and his committee to  
27 pursue the search, hire the search firms, identify the candidates, and basically proceed in a manner in  
28 which they were proceeding and then leave open once we do that and we decide to hire someone..

29 SENATOR HAWKINS: That's true to a degree, but I think that it is not  
30 necessarily reflected in the budget itself. It reflects the overall charge that's been given.

31 DELEGATE BYRON: It was my understanding at the meeting that we had with  
32 the Governor and that was brought up for discussion, that this was totally relative to securitization,  
33 and the large sums of moneys that we would be receiving. My concern is that if there is no market  
34 for securitization right now that the wisest thing to do would be to, if we're not searching for  
35 someone, why do we need the search? If we're discussing whether we need to hire an individual for  
36 smaller sums of money, that needs to be brought back up again for a vote from the full Commission  
37 whether or not this money should be expended. To go out and have meetings that are very costly for a  
38 position that is no longer needed where there may be a consensus that it's no longer needed is an  
39 unwise expenditure of a little bit of money that we have available to us.

40 SENATOR HAWKINS: A point well taken, but the other side of that argument  
41 is that regardless of securitization or not the amounts of grants we will be approving or not remains  
42 basically the same. The Grant Manager will be looking at the same amount of paperwork regardless  
43 of securitization or not securitization. That point is one that was brought to my attention.

44 SECRETARY SCHEWEL: Mr. Chairman, the other issue for me, and the point

1 is well taken, but the other issue is if we don't securitize we'll have more money and not less. If the  
2 payments come in and we don't securitize we'll end up with more money. Securitization  
3 contemplated us paying some sums of money to the bond holders in exchange for a lump sum. We'll  
4 have more rather than less if we don't securitize, assuming the money keeps flowing. I realize that's a  
5 significant assumption. Although you are absolutely correct in saying the discussion the other day  
6 and discussing the securitization, but from my point of view, and I believe from the Governor's point  
7 of view, the issue for the position is really very similar, with or without securitization. If we  
8 suddenly don't get the tobacco payments or MSA payments, then, obviously we don't need anyone to  
9 do this, and I don't think that'll happen, but short of that we have a sixty-four million dollar budget  
10 without securitization, and basically we have a fifty-four million dollar budget with securitization.  
11 We've got more without securitization than with.

12 SENATOR HAWKINS: We could continue this discussion, and frankly I'm  
13 going to change the Agenda and ask Mr. Owen if he'd like to go ahead and give his report now, an  
14 interpretation of what is going on.

15 MR. OWEN: Thank you, Mr. Chairman. Let me preface my remarks by saying  
16 that I think the notion of continuing the search without a commitment to hire a person is not a good  
17 step. I think Delegate Byron said we're spending a lot of money talking about what is required to hire  
18 a search firm, plus we're not going out on the street, and the search firm is not going to go out on the  
19 street for people looking for jobs. We're out recruiting and trying to attract the best people to come to  
20 Virginia and work in Southside and Southwest. If there's not a commitment from this group to have  
21 the right staffing and right person in place, we'll get some names and we'll get some folks that might  
22 be interested in a job, but I would not be comfortable continuing to lead the search for a position that  
23 we may or may not do.

24 SENATOR HAWKINS: Point well taken, and I think we can build on that.  
25 We'll have another meeting in July, which is just a couple of months away, and there's not a great deal  
26 of pressure to fill the position at this moment, because we're talking about next year's budgetary  
27 operation. It may be to our advantage to continue the discussion in July about hiring a firm based on  
28 conversations with the Executive Branch as to our options on contracting someone, but that has not  
29 been part of our discussion. It may be helpful to go back and have a discussion with His Excellency  
30 and find out are there other options we need to look at rather than hiring someone full-time as  
31 opposed to contracting someone.

32 MR. OWEN: Having given this a little thought, and this is a personal opinion, I  
33 don't think we're looking for a part- time service. As Secretary Schewel said, in either scenario we've  
34 got a lot of money to spend and to do due diligence on in overseeing. My guess is if you hire  
35 competent consultants to do this, and say they work a thousand hours for you instead of a full-time  
36 person working two thousand hours, your cost is probably going to be higher getting an Ernst &  
37 Young accounting firm or anyone else competent to do what is expected to be done. At first blush,  
38 without having looked around and tested the water, I don't think looking at it cost-wise we're looking  
39 at a savings. If we are talking about someone doing full time and doing full due diligence on all  
40 projects before us.

41 SENATOR HAWKINS: Claude, would it do any harm to postpone the decision  
42 for a month or so until we make a determination on what avenue to go?

43 MR. OWEN: I don't see any harm, no, sir.

44 SENATOR HAWKINS: What's the feeling of the Commission, most of the



1 arguments dealing with this new position, also the ability to maybe do some other things in the  
2 market? I don't know, but I think it's very important to understand that we are managing a  
3 tremendous amount of money, and there has to be some understanding of when we manage people's  
4 moneys that it's spent in a very meaningful manner and meets the standards that hopefully we have  
5 already adhered to in this Commission. Having said that, is there any more discussion?

6 MR. OWEN: Just to give the Commission a little more information. When the  
7 Governor spoke he talked about a search firm, and twice search firms have been used, and it was used  
8 to secure VDOT's head and also the Tourism Board's head. In one of those instances, which I think  
9 occurred during the transition phase, we talked to five or six search firms and we visited in person  
10 five search firms. It's pretty much a standard that you pay a third of the first year's compensation in  
11 terms of the search firm's fee. There's an ironic phase to it, and that is the more you pay the person  
12 you hire the more you pay the consultant. This seems backward to me, but it's expensive. So we're  
13 estimating the total cost here approaching a hundred thousand dollars to do the search, which is a  
14 combination of fees and expenses. In response to Delegate Byron, if we are not committed to hire  
15 this person, then don't spend the money, because I think we'll have a failed search in terms of the kind  
16 of portfolio that might be before us.

17 SENATOR HAWKINS: This is a fairly important discussion, and we need to  
18 have some sort of feel from the entire Commission about the direction to go, whether we postpone or  
19 move the discussion to July or based on all the options and scenarios we're looking at or continue the  
20 conversation today or make a decision. I'll throw the floor open.

21 DELEGATE DUDLEY: I tend to remember the meeting with the Governor.  
22 The reason put forth was because of the huge amount of money coming in and someone with  
23 investment expertise, whether by accident or by design, that did not happen. So I would favor  
24 postponing action on this at least until July.

25 SENATOR HAWKINS: Any other comments?

26 DELEGATE WRIGHT: I would agree a hundred percent, I think we should  
27 postpone action on this, so I'd second that if it's a motion.

28 SENATOR HAWKINS: Any discussion on the motion to postpone action on  
29 this until the July meeting?

30 DELEGATE HOGAN: Mr. Chairman, when you say action on this, does that  
31 mean you're going to stop the Search Committee from doing anything on this, or are they going to  
32 continue to meet and look into it?

33 SENATOR HAWKINS: What I would like for Mr. Owen to do under his charge  
34 is to meet with Carthan and the Governor and myself and others to determine in fact what other  
35 options are available to us. If, in fact, the contractual relationship is an option and whether we need  
36 to look at that or not or whether we need to pursue this sort of option and come back with some sort  
37 of report to the Commission as to what we can do to meet the needs of the financial responsibility we  
38 have, as well as being financially responsible for the moneys that we have to spend. I don't know  
39 what the answer is, and I don't think anyone does, because it's a suggestion from that particular aspect  
40 and something just brought to my attention, and there may be other avenues out there that we haven't  
41 looked at. Claude, what do you think?

42 MR. OWEN: I think it's a bit unfortunate that as Secretary Schewel alleged to  
43 earlier, the need for this position was related so closely to securitization. As we all know we've got  
44 the money to spend, and this position was not to be the one that would oversee the investment in the

1 stock market or bond market, the Treasurer's Office was going to do that. This was strictly to  
2 evaluate the strategic spending that our Commission does. I think we all from time to time feel that  
3 we cannot do our fiduciary responsibility in the appropriate way because we don't have enough  
4 information about the projects being brought before us in our duties as a Commissioner, to know  
5 what is the payoff and the background and how does it relate. I certainly support the motion that we  
6 need more information and more expertise in order to do due diligence. I thought the Governor's  
7 notion was correct in bringing someone on staff to do this, because I feel we'd do better with a full-  
8 time position than even part-time consultants. I also agree there's not quite the urgency since we're  
9 not spending the amount available to spend, it's going to be later. The later you wait or if you wait  
10 long enough you'll miss the opportunity when the applications are coming in for that due diligence to  
11 be done on another round of spending. I'm not sure what the deadline is or the season for the  
12 applications, but the longer you wait the more is going to be spent without the due diligence.

13 SECRETARY SCHEWEL: Mr. Chairman, going back to some of the things  
14 Claude says, we want to have a successful search, and we don't want to spend money without  
15 spending it for a good cause. It seems to me that one way or the other there's going to have be a  
16 consensus among the Commission for the need for this position or lack of need for the position. We  
17 don't seem to have that consensus at the moment, which Claude pointed out, the likelihood of a  
18 search firm coming up with a candidate that we would like and would be successful would be much  
19 less. So I would suggest that, and we don't want to change the budget, we don't change the budget to  
20 reflect adding anything further to the search, but on the other hand I would urge us all to address this  
21 issue at the July meeting or before the July meeting, because I really think that the need for the  
22 position is essentially unrelated to securitization. That was a convenient time to have it in place, but I  
23 think the need is unrelated to securitization.

24 SENATOR HAWKINS: Point well taken. I think part of the conversation and  
25 the whole ball of wax for securitization had everything stuck to it, including this position, and we  
26 have to separate these things, and it'll create another argument as to what we're doing. I think that's a  
27 point well taken. The July date is not that far in the future, and I don't think it'll do any harm to the  
28 overall trust of this position. Any other comments?

29 MR. ARTHUR: I can see this one position will turn into five real quick unless  
30 there's a drastic realignment of our project evaluation. Those persons would be put on a new person's  
31 staff, otherwise there's an expansion. I call for the question.

32 SENATOR HAWKINS: The question is called for, the question being the  
33 postponement of the decision on this position until the July meeting. In the meantime a continuation  
34 of bringing our options to the full Commission, Mr. Owen's charge is in place and to help financing  
35 and supporting staff always, and we'll move in that direction. All those in favor say aye? (Ayes.)  
36 Opposed? (Mr. Hite, no.)

37 SENATOR HAWKINS: One no. All right. Over the years the Commission has  
38 tried to figure out the best way we can handle many things. The farming community was our first  
39 charge, and the first moneys we allocated for indemnification to offset losses of the farmers was at  
40 eighty percent. The formularies we put in place were based on the mandate of the Commission on  
41 the needs of the tobacco-dependent communities. We used a formulary that was driven by poundage,  
42 by jobs, matter of fact creating warehouses in operation and processing plants. We came up with a  
43 series of known facts dealing with the tobacco industry to back up farming that tilted the moneys to  
44 the more tobacco-dependent communities, which was the overall intent of the legislation. It quickly

1 became apparent we needed more flexibility to be able to address the problems of small counties as  
2 well as being able to work with the Governor's Opportunity Fund and be able to work with our  
3 community colleges to come up with a different sort of mechanism. Although the formulary itself  
4 has stayed in place, we have over the years taken money off the top of the formulary to give us  
5 flexibility to deal with the overall economic needs of our area.

6 The first money we took off the top went to our seven community colleges with six million  
7 dollars; that came off the top of the moneys before any formula was put in place. Then we dealt with  
8 various other aspects of education, then we dealt with Special Projects, which came about for the  
9 need for some understanding of particular things we were dealing with at that time like CropTech  
10 opportunity. That grew an opportunity to be able to have all our counties have access to money based  
11 on the unique opportunities to do things. Deal Closings by having an opportunity to have money in  
12 place designated to offer deal closings to all communities and allowed us to be able to complement  
13 moneys from the Governor's Opportunity Funds and deal closings to bring jobs to a lot of our areas  
14 that would have missed an opportunity without the availability of these cash infusions.

15 What we'd like to show you all today is how some of these things are working in forming  
16 the community relationship that we have tried to put into place. One of the things that all of us have  
17 tried to come up with is some mechanism to create a synergy for communities working in tandem for  
18 an economic benefit of all. Danville, Pittsylvania County and Halifax, and we're so close to these  
19 three communities, I thought it would be a good time for the County Administrator and City Manager  
20 to give us just a thumbnail sketch of what they've been able to accomplish and what they've been able  
21 to do as a community of interest for the economic development of the entire region. Having said that,  
22 I'll turn it over now to the City Manager from Danville, Mr. Gwaltney, to make some introductions.

23 MR. GWALTNEY: Thank you, Mr. Chairman and members of the Commission,  
24 I'd like to introduce my colleagues, and I've had an opportunity to work with them, the man with the  
25 chart here, Dan Sleeper, County Administrator from Pittsylvania County; and Joe Morgan, from  
26 Halifax County. I think it was a Godsend to have Joe come on board. He has been in the New River  
27 region very much where there has been a great deal of work done in working together and all the  
28 localities and their economic development effort. We think, and we're here to express to the  
29 Commission, our appreciation on behalf of our localities for the work that the Commission has done.  
30 We believe that we have committed ourselves as three public officials to see a need, and I might add,  
31 if you had asked me to do this five years ago, or somebody said, come together with the County, I  
32 wouldn't have done it, and I wouldn't know how to talk about doing that, and my mind-set has  
33 tremendously changed in this respect as a City Manager. We believe that the work that the  
34 Commission is doing working with us and other localities truly changing the synergy, changing the  
35 mind-set of what we're doing as a community and opening new doors every day as we work through  
36 the projects that you have funded for us and things we're trying to look to in the future to actually  
37 reinvent an economy. If you look at today's paper, and of course, we're not as bad off as a lot of  
38 areas, but if you looked in today's paper you would see over the last forty-eight hours two hundred  
39 and seventy jobs have gone from Danville, and two hundred of those jobs relate to textiles. Seventy  
40 of those jobs are very high paying, thirty-five, forty, forty-five thousand a year jobs, that relate to the  
41 medical community. This brings Dan River, which is our largest employer in the early '90's to over  
42 twelve thousand people, down to thirty-six hundred. So it's working with the Commission that we  
43 feel we're making some headway in turning around and trying to set in motion not only a short-term  
44 program but a long-term program to reinvent, redirect our community.

1 Two vital projects that we think are important in this project, the Institute for Higher  
2 Learning and Research and also another project that was, I believe, the brain child of the Commission  
3 and has proven to be something that I think is further work of helping us to work together, that is the  
4 VIR project. If you tie that in with what the Commission has done with the VIR project and with the  
5 Institution of Higher Learning and Research, not only are we helping, I think, to develop a stronger  
6 and newer economy in the Halifax, Danville and Pittsylvania region through this and VIR, but now  
7 that's beginning to tie into the overall research community of the Institute, and these things are very  
8 important. As a result of a question that I think was asked of me by Senator Wampler the other day in  
9 his committee meeting, I followed up and talked to the Economic Development Administrator about  
10 the projects we had going and asked him to give me something to pass on to the Commission why in  
11 their opinion they wanted to take the high approach of the moneys that they're dealing with, and their  
12 answer, and I can't quote it exactly, and I did have it written down, I didn't bring it with me, but I  
13 wrote it down, was that they are now in a position with their funding that they no longer can afford to  
14 look at just traditional projects, and they're no longer interested in just processing plants and just  
15 major economic development type efforts, but they're looking for something that has the high-end  
16 value of job wages and job creation. Further, they want to be in a position with their limited amount  
17 of dollars to be able to tie in. In a particular case what we're working on together to be able to tie in.  
18 If you look at the educational component and research that's going on in the area as a result of the  
19 projects earmarked for the area that this brings the private sector in to tie in with the educational  
20 academic area.

21 We're in the final stages of working out the project on the VIR situation. That is something  
22 that I think we all are proud of.

23 I'll turn some time over now to my colleague.

24 MR. MORGAN: I'd first like to say, welcome to Halifax County. We're  
25 delighted you would come to Berry Hill. Before you leave today I had our Agricultural Development  
26 Director assemble some of the products that Halifax County to distribute to you to take home. I  
27 appreciate you taking those and taking them back with you, and we appreciate you being here.

28 I recall, Senator Hawkins, when you and I were serving together on Incentives, the  
29 Industrial Incentive Task Force that Governor Allen commissioned, and the issue was how do you  
30 provide local governments to work together. They were a fair amount of obstacles at that time, and  
31 as you recall we had a failed referendum during Governor Gilmore's tenure on how folks could  
32 cooperate together. I think what the Commission has done in this instance is help overcome some of  
33 those obstacles and even though pumping sewage from Danville, I mean VIR back to Danville seems  
34 like a simple thing, I want to let you know it is pumping it upstream, and the whole project is kind of  
35 swimming upstream against a normal relationship between local governments. The Commission has  
36 been helping make that upstream journey a little simpler. In view of what is coming about and some  
37 is not perceived, the mechanical engineering expertise from Virginia Tech is coming to the Institute.  
38 We took open bids April 9th on the sewer line from the Danville Airport out to VIR, and at the same  
39 time Nancy Franklin from the Institute had a vision to make sure we put in that bid an opportunity to  
40 put a conduit for fiber to connect to VIR and extend through the eCorridor a little further east. We  
41 got an option there because of what the Commission has done and because of the furtherance of the  
42 Institute and because of the presence of VIR and because of their ability to complement each other to  
43 put some world class opportunities here. If the Commission had not said on October 26, 2001, go  
44 ahead and see if you can't work out a regional project, those opportunities would not exist. I think it's

1 true in this case that the sum of the whole far exceeds the parts, and we appreciate your leadership on  
2 that. I would encourage you to keep helping us be regional.

3 SENATOR HAWKINS: I appreciate that, and I know this is taking some time  
4 out of the Commission. Remember we're in charge of redefining the economies for the entire region,  
5 and to do that we've got to figure out how to get our communities working together and have  
6 coordinated efforts to use our assets to the best of our ability and make sure we're not wasting  
7 infrastructure and to do things to help everyone. Dan?

8 MR. SLEEPER: I'm going to be real quick, and I'm just sitting here and looking  
9 here while you're talking. The Institute of Advanced Learning and Research is at the beginning of  
10 this joint Cyber Park, these are all Tobacco Commission projects. They're interrelated, because if you  
11 pull any of them out it's like having a stack of bricks, and something's going to fall down. As simple  
12 as the VIR system is, it comes down 58 and it interconnects between the regional park and the  
13 county, the city the Cyber Park and the utilities necessary for all of this to operate is in the same  
14 section of the project. The Tobacco Commission has given the city and county money to incorporate  
15 VIR, the county, Halifax. This is the County of Halifax right here, this is all in the county, and this is  
16 the city. That's almost twelve miles from this point to that point, nine miles from VIR to this pump  
17 station, and these are all interrelated. We have some other county projects that are funded by  
18 Tobacco Commission money near this area but not on this map, these are all joint. Riverstone is just  
19 a little farther down this way.

20 SENATOR HAWKINS: What I wanted to point out here, by putting together  
21 the basic infrastructure and tying in together all the components of these counties we can maximize  
22 the impact in economic development. What I'd like for us to start thinking about is how we can start  
23 tying together all of our counties to be able to offer this sort of innovative thinking and working  
24 together in partnership to solve some real economic problems we face outside of the populated areas  
25 of Danville, Pittsylvania and Halifax to get them to work in tandem, and that is the challenge.

26 SENATOR RUFF: Mr. Chairman, as a follow-up to that, I would move that we  
27 have an economic summit at Longwood University, the Commission members, economic developers,  
28 administrators of the various counties and the partnership, and have that in conjunction with the  
29 Commission meeting the day before. We need to sit down and talk about these things and see if we  
30 can't work through that.

31 SENATOR HAWKINS: That's an excellent idea. It would be a good time to  
32 have the partnership give us an overview of how they see this area of the state and the economic  
33 development people talk about what assets we have and have our local county administrators and city  
34 managers have a list of assets, work force centers, business opportunities, water and sewer, industrial  
35 parks, to make sure that we utilize all the assets involved. I also think it would be to the advantage to  
36 have two meetings, one for Southwest Virginia and one for Southside. The continuity of the  
37 discussion would be more focused on those particular areas that have to be looked at individually.  
38 Excellent idea. Any conversation on that proposal prior to the meeting at Longwood and also for the  
39 Southwest meeting? I will instruct Staff to work with each individual region and set up an  
40 opportunity to have all of our economic development people invited, and out-of-state people are  
41 needed to give us some sort of understanding of the economic situation that we face, also the ability  
42 to bring all our assets together, which I think the partnership already has, and they would have a good  
43 inventory of our workforce and educational levels that we need to improve that. Thank you, and  
44 we'll do that.

1 Before we do that, we need to vote on this budget. The budget that's before us is a budget  
2 dealing with the administrative part and also dealing with the educational component. Is there a  
3 motion to adopt the modified budget? So moved, and seconded. Any discussion on the budget that  
4 has been presented? All those in favor say aye? (Ayes.) Opposed? (No response.) The motion  
5 carries. Thank you all.

6 Steve Rosenthal. Before you all get started I want to thank you for the work that you have  
7 all done. I've heard nothing but compliments on the way that you all have handled a very difficult  
8 task, I might add, and something that very few states have tried to do, and you've done extremely  
9 well, and it's been a great effort.

10 MR. ROSENTHAL: Thank you, Mr. Chairman, I think your task is a little  
11 tougher than ours, but we appreciate it. The 2003 phase one payments the Commission has  
12 determined that 9.8 million dollars is available for flue-cured distribution, and that works out to 6.76  
13 cents per pound of basic quota for both the quota owner and producer. For burley there's about ten  
14 and a half million dollars available for distribution and works out to 19.09 cents per payment pound  
15 for the producer and 19.81 cents per pound of basic quota for the quota owner. Monday, April 28th,  
16 we will be sending out the verification payment forms, and they'll be out for about three weeks. We  
17 will also send our press release at that time to advise everybody of the phase one indemnification  
18 program for the year. On Monday, May 5, we'll be having town meetings in Lee and Scott Counties,  
19 May 6th in Washington County and May 7th in Pittsylvania and Halifax Counties, May 8th in  
20 Brunswick County. The deadline for submitting claims is May 19th, which is about a three-week  
21 period. We anticipate transferring payment data to the Agriculture Consumer Services by no later  
22 than May 27th, and I'll be happy to answer any questions.

23 DELEGATE KILGORE: When will the checks be out?

24 MR. ROSENTHAL: We will transfer the payment data on May 27th. My  
25 assumption is that it will be out very shortly after that.

26 SENATOR HAWKINS: Any other questions? Thank you.

27 MR. ROSENTHAL: Thank you, Mr. Chairman.

28 DELEGATE KILGORE: Are we still following the same breakdown as far as to  
29 the farmers?

30 MR. ROSENTHAL: In what way?

31 DELEGATE KILGORE: Stephanie may know.

32 MS. WASS: The quota owner and producer?

33 DELEGATE KILGORE: Southside is eighty percent, Southwest?

34 MS. WASS: The amount that was approved for the FY'03 budget, Southwest,  
35 eighty percent for indemnification.

36 DELEGATE KILGORE: That's what I wanted to know.

37 SENATOR HAWKINS: Thank you, sir, appreciate that. Next we have Mr. Tom  
38 Arthur's Southside Economic Development Committee report.

39 MR. ARTHUR: Mr. Chairman and members of the Commission, on Monday  
40 the Southside Economic Development Committee met, and the staff had received and brought  
41 forward fifty requests or applications for funding totaling twenty-four million nine hundred and  
42 seventy-seven thousand nine hundred and thirty-six dollars. Without objection, I won't go through all  
43 of these. I'll tell you how we reacted to them unless somebody wants to hear a particular request  
44 defended. We considered forty-three of those for twenty-three million seven hundred sixty-one

1 thousand two hundred seventy dollars. We deferred two and referred five to other committees, and  
2 we recommended for awards thirty-eight, totaling twenty-one million twenty-four thousand two  
3 hundred seventy-one dollars. We did not fund at all five. That leaves a balance in Southside  
4 Economic Development of two million four hundred twenty-six thousand two hundred sixty-four  
5 dollars that is still available for a second round of awards.

6 Involved in one of these that we recommended for approval was the Riverstone Project in  
7 Halifax. Seeing how they would like to move along with their project, they want to go to the bank  
8 and fund the whole thing, and they are requesting a letter of intent from us to fund that project. It's  
9 similar in nature to what we did with Danville and Pittsylvania County for the Institute so they can  
10 move along. I have the resolution, and I would like to read it into the record.

11  
12 "Whereas, the Tobacco Indemnification Community Revitalization Commission  
13 has challenged localities adversely affected by the reduction of tobacco production and sales  
14 to revitalize their communities on a long-term basis, and,

15 Whereas, the Commission adopted an allocation  
16 formula whereby each tobacco-dependent community receives  
17 a portion of the funds appropriated annually to the Commission  
18 by the Virginia General Assembly, and,

19 Whereas, the Industrial Development Authority of  
20 Halifax has worked with the governing bodies of Halifax  
21 County and community leadership to develop Riverstone  
22 Technology Park as a focus point for diversifying our  
23 economy and furthering the mission of the Commission, and,

24 Whereas, the next major step in the development of  
25 Riverstone Technology is the construction of Building One,  
26 and,

27 Whereas, Building One is Halifax County's best  
28 opportunity to build upon the regional initiatives of the  
29 Commission, such as the Institute of Advanced Learning and  
30 Research and e58 Initiative and to diversify the local economy  
31 through the creation of support of new employment sectors,  
32 and,

33 Whereas, the Halifax County Board of Supervisors  
34 has appointed funding from the Commission paying debt to be  
35 taken on the Industrial Development Authority to complete  
36 this project, such funds to come from the allocation Halifax  
37 County receives from the Commission and such funds to be  
38 applied until the principal, interest and other costs, up to ten  
39 million dollars, have been repaid, and,

40 Whereas, the banks issuing financing for Building  
41 One in Riverstone Technology Park require this Resolution of  
42 Intent from the Commission, now,

43 Therefore, be it resolved by the Tobacco  
44 Indemnification and the Community Revitalization

1 Commission that if the Industrial Development Authority  
2 assumes debt for the ten million dollar cost of Building One it  
3 is the intent of the Commission that, to the extent that the  
4 Commission receives funds and to the extent that the  
5 Commission allocates to Halifax County on an annual basis at  
6 least one million dollars, it will allocate and pay each year at  
7 least one million dollars to Halifax County. As part of that  
8 allocation from the Commission for the payment of principal,  
9 interest and other costs of debt associated with the Building  
10 One project, such allocation and payment to be made for a  
11 period of eight years starting in 2004 or until such earlier time  
12 as principal, interest and other costs of debt have been paid fully."  
13

14 I read that Resolution into the Minutes, and it's for your consideration. The Committee  
15 recommended approval, and Counsel has read and approved the wording.

16 SENATOR HAWKINS: Remember we have done this before, Danville and  
17 Pittsylvania County set aside a million dollars each for its allocation to be, two million dollars a year  
18 to build an Institute in Danville, used in Danville and Pittsylvania County. Those allocations did not  
19 affect anyone's formula or anyone's opportunity to have money for Special Projects, it came off the  
20 top of their particular allocation. The Institute is beginning to develop as a synergy for the entire  
21 region's economic development and so will this park. So I think it's something that we can do to offer  
22 some economic stability by putting in place immediate infusion of cash in obligating them based on  
23 the language we have in place and the availability of these moneys.

24 MS. TERRY: Mr. Chairman, I only raise this question because the Patrick  
25 Henry Memorial Hospital was in bankruptcy, and it was under the gun and the sprinkler system they  
26 lost this past summer, and they approached the Commission for a hundred and fifty-five thousand  
27 dollars and wanted it to be paid out of loan proceeds. It's my understanding that the folks in Patrick  
28 were told that the Industrial Development Authority itself had to stand behind that loan, and it would  
29 not be sufficient to have any future proceeds pledged to pay off that loan. As a result, the hospital's in  
30 worse shape today. I'm looking for someone to explain to me, my understanding is that these  
31 proceeds have been paid out of future allotments and if there's no future allotment then the  
32 Commission takes the risk, what the difference is between this arrangement and the one involving the  
33 hospital?

34 MR. FERGUSON: If I may respond, and I understand what Ms. Terry is asking.  
35 The difference as I understand it is it's not a loan from the Commission, it's an outright grant. The  
36 bottom line is that this is nothing more than a statement by the Commission of its intent, should we  
37 get funds allocated by the General Assembly, and should the Commission in turn maintain the  
38 allocation formula by locality in the Southside region, and should there be at least a million dollars in  
39 this case in that allocation to Halifax County in each of the next eight years, that it is the present  
40 intent of the Commission to award that grant over those years. In the case of Patrick Henry, that was  
41 a loan as the Commission approved it, and so for that reason there had to be an obligation to repay  
42 the loan.

43 MR. ARTHUR: In this particular case the Tobacco Commission itself has no  
44 real liability. If there's no funding, we're not obligated to it and Halifax County has the moral



1 obligation to see what they're going to do.

2 SENATOR HAWKINS: The same situation in place in Danville Pittsylvania  
3 County Institute and the document as well. It's the availability of money, and the Commission is not  
4 obligated at all. It's based on the availability of money.

5 MS. TERRY: Thank you.

6 MR. ARTHUR: Further, carryover funds are the funds that Southside has  
7 withheld from the allocation pending from Committee work that we're trying to do. The Committee  
8 voted to recommend to the full Commission that one million dollars be awarded out of those funds of  
9 Pittsylvania County or out of Southside funds be awarded to the Institute for a one-time startup fund.  
10 The Committee voted unanimously to recommend to the Commission that this be approved.

11 One other issue is from the AG's Office that we need to address. In Gretna's request for  
12 moneys for a pipeline to go to the Pigg River to supply water, which is desperately needed in Gretna,  
13 they wanted to defer some money or switch some money that we had already approved for a reservoir  
14 to this project, and we need the approval of the Commission to switch those funds, since we had  
15 approved it for a reservoir and now they want to put a pipeline to pump water.

16 SENATOR HAWKINS: Just transferring already obligated funds?

17 MR. ARTHUR: Transfer obligated funds, yes. That completes the report of the  
18 Committee, and I move acceptance of the report as reported.

19 NOTE: Seconded.

20 SENATOR HAWKINS: It's been moved and seconded that the report as  
21 submitted be accepted. Any questions? All in favor say aye? (Ayes.) Opposed? (No response.)  
22 Thank you, sir.

23 Next we have Southwest Virginia, Delegate Kilgore.

24 DELEGATE KILGORE: Thank you, Mr. Chairman. The Southwest Economic  
25 Development Committee met on Tuesday afternoon and went through the applications that we had.  
26 We had some good applications, but we did not have enough money to fund all of them. In your  
27 packet you'll see there are some corrections to be made. Number seven, Scott County should be Lee  
28 County for locality. Number sixteen, under the William King Regional Art Center, instead of one  
29 twenty-five it should be one seventy-five, and the subject dollar for dollar match should be removed.  
30

31 Mr. Chairman, there are some economic development projects on here that was rated very  
32 high by the Staff. Also, some tourism projects that are on here that we as a group in Southwest  
33 Virginia decided was important and we have picked out some of our important tourism designations  
34 in Southwest Virginia and decided that with proper leverage and with other groups kicking in these  
35 would be proper to fund at this time, and we believe it would benefit the area. For example, the  
36 Carter Family Memorial Music Center, Inc., that's a third of the money, and the other third or the  
37 other two-thirds will be coming from other funding sources that is in the Carter tobacco area there in  
38 Scott County, and we also have some other instances of that.

39 We also, Mr. Chairman, deferred three applications, Smith County, Washington County, the  
40 town of Marion for a call center, and decided that if they did receive the costs we'd come back and  
41 meet again and help them fund that. And also with the White's Mill, needed some more information.  
42

43 We referred to the Agribusiness certain projects, which is Delegate Johnson's committee.  
44 Those projects dealt mainly with Agribusiness projects. We also deferred to the Technology

1 Committee certain projects and to the Education Committee certain projects and to Special Projects,  
2 certain projects.

3 Mr. Chairman, you have the packet here, and if there are any questions I'll be happy to  
4 answer them.

5 SENATOR HAWKINS: Any questions for Delegate Kilgore, or any comments?

6 DELEGATE KILGORE: Otherwise, I would move that the Commission accept  
7 the report.

8 SENATOR HAWKINS: Is there a second?

9 NOTE: Seconded.

10 SENATOR HAWKINS: It's been moved and seconded that the report from the  
11 Southwest Economic Development Committee be adopted. All those in favor say aye? (Ayes.)  
12 Opposed? (No response.)

13 Senator Wampler. I want everyone to understand where we're going with these before we  
14 vote on them.

15 SENATOR WAMPLER: Thank you, Mr. Chairman, and members of the  
16 Commission. I want to draw your attention to a handout that should be in your packets, and it starts  
17 with a business loan program, and if everyone has had time to find that I would move at the very  
18 beginning and try to describe several projects.

19 Mr. Chairman, and members of the Commission, from a previously allocated amount of  
20 two million dollars for small business loans, the Special Projects Committee recommends to the full  
21 Commission an allocation of one million dollars for small business loans in Southside communities.  
22 With concurrence of the full Commission we would further recommend that the Southside Economic  
23 Development Committee be empowered by the full Commission to develop a subsequent agreement  
24 with an organization or organizations of their choosing to administer their loans. Furthermore, we  
25 recommend an allocation of one million dollars to capitalize People, Inc., an organization in  
26 Southwest Virginia, to further their efforts in offering small business loans with emphasis of these  
27 loans in the burley growing communities.

28 Mr. Chairman, I'll move forward in an orderly process, if someone has questions. Then  
29 next I would go to the Cumberland County Reservoir. We recommended the full three hundred and  
30 fifty thousand dollars to match other dollars to complete the study for development of a several  
31 hundred acre reservoir that would create a sustainable water supply for that region, and not only  
32 would it create the sustainable water supply but it would also aid in industrial expansion and drinking  
33 water. The actual construction of the reservoir would be funded from funds other than Tobacco  
34 Commission, and we recommend that.

35 Next, we heard from the applicant for the Institute of Advanced Learning and Research,  
36 and this would be for the five hundred thousand dollar recommendation that would help with the  
37 startup and operating expenses of a ninety thousand square foot research and instruction conference  
38 facility located in the Danville Cyber Park that we heard from previously. That application was for  
39 1.5 million dollars, and with the concurrence of the applicants they're satisfied with a half million  
40 dollar request for that particular facility.

41 SENATOR HAWKINS: These moneys were scheduled to be in the state budget last year,  
42 but with the budget troubles, and this project is a necessity, and it's an absolute necessity to put these  
43 moneys in place, and the state will pick up on the obligation next year from commitments made.

44 SENATOR WAMPLER: Mr. Chairman, without objection, we'll pass by for the moment

1 the two million dollar request, and I'd further say we'd pass by for the moment the Martinsville  
2 Speedway and go to the Retiree Attraction Feasibility Study. This is a request we recommended  
3 twenty-six thousand to have an industry expert assess the economic impact and other related needs  
4 and benefits as a result when you're trying to develop and attract certain populations and  
5 demographics into our area for retirement and tourism purposes, and we so recommend.

6 Next, Mr. Chairman, we have the Scott County Economic Development Authority and the  
7 LENWISCO Regional Industrial Park. We recommended an amount of eight hundred and forty  
8 thousand dollars, and this was matched by the Southwest Virginia Economic Development  
9 Committee and also a like match from the Virginia Coalfields Economic Development Authority.

10 The last item I would bring to your attention in the block is the Virginia Highlands  
11 Business Incubator, a half million dollar request that we recommended in full, and this helped drive  
12 down the cost of a 5.3 million dollar facility that would be the anchor tenant of a new industrial park  
13 located in the town of Abingdon in Washington County.

14 Mr. Chairman, those items I would ask we move in a block, and I so move.

15 SENATOR HAWKINS: It's been moved and seconded, any discussion? All  
16 those in favor say aye? (Ayes.) Opposed? (No response.)

17 SENATOR WAMPLER: I would now like to go to the application for the  
18 County of Henry for purposes of creating additional economic opportunities for a major attraction.  
19 The modified application was received with the concurrence of Henry County, and the Special  
20 Projects Committee recommends a half million dollars to support expansion at the Martinsville  
21 Speedway.

22 Mr. Chairman, I would ask now to trespass on the time of the Commission just for a  
23 moment, and I'd like to read into the record a certain matter that would place this project in the proper  
24 prospective for approval.

25 SENATOR HAWKINS: Senator Wampler.

26 SENATOR WAMPLER: This request from Henry County is for a grant from the  
27 Commission of five hundred thousand dollars. As you may recall there's previously been some  
28 discussion about this project, and as a result of this some questions were raised and Henry County  
29 revised their proposal in their April 23rd letter, which I will include in the record. As I perceive this  
30 request, we're being asked to contribute a portion of the funds needed for a significant capital  
31 improvement project at the Martinsville Speedway. The overall goal of that project is to increase the  
32 capacity of the Speedway and obviously the benefits of such an expansion are to enhance and  
33 maintain the desirability of the Martinsville Speedway as a NASCAR venue and increase the number  
34 of fans that can attend the event and thereby bringing more tourists and more tourists' dollars to the  
35 Henry County region and generally add to the regional attractiveness as a tourist designation. The  
36 Special Projects Sub-Committee viewed this as an appropriate expenditure of Commission resources  
37 in light of our statutory duty to create and expand the economies of our service region in non-tobacco  
38 dependent ways. Consulting with Counsel we have been reminded that public funds may  
39 constitutionally be expended for private concerns if there's a strong public purpose being served. We  
40 believe in light of the General Assembly's passage of this legislation creating the condition it is clear  
41 that the public policy determinations has already been established, and that the growth and economic  
42 revitalization of the tobacco dependent communities is a priority purpose in the Commonwealth.

43 Now, in the form of a motion, Mr. Chairman, I would propose that we recommend  
44 approval of a five hundred thousand dollar grant to the Henry County Industrial Development

1 Authority to be used as a local contribution to the capital improvement project of the Martinsville  
2 Speedway, the area's primary tourism draw. The Industrial Development Authority, Mr. Chairman,  
3 would in turn be responsible for distribution of the grant. That is the motion.

4 SENATOR HAWKINS: Is there a second? It's been moved and seconded,  
5 before we vote, a comment on the importance of what we're dealing with to give you some idea of  
6 how these things ripple through the community. Patrick Henry Community College took the grant  
7 money to put in place a whole new project to build race cars and enhance the race car industry. This  
8 training to enable students to know how to build race cars and the engines, and that project, as well as  
9 sufficient money being available, will allow students to develop a trade that can provide thirty-five to  
10 forty thousand dollar a year income would not be there if all of these things had not fallen into place.

11 Of course, across the line of Patrick County is the Witt Brothers Museum and that's a great tourist  
12 attraction. We've got a lot going with this race car venue that we have invested in, like the VIR track  
13 and South Boston and Martinsville. The motion is before you, are there any questions? All in favor  
14 say aye? (Ayes.) Opposed? (No response.)

15 SENATOR WAMPLER: Mr. Chairman, there's one remaining item for action of  
16 the Special Projects Committee, and that's the two million dollar request for the Institute of Advanced  
17 Learning and Research.

18 SENATOR HAWKINS: With your permission, Senator Wampler, I'd like to  
19 postpone that. Charley Majors from Danville would like to address that and he'll be here after lunch.  
20

21 SENATOR WAMPLER: I'd be delighted to concur on said action. Mr.  
22 Chairman, to finish up my report very briefly then, Mr. Chairman, did we actually vote on the matters  
23 in the block? We did, all right.

24 SENATOR HAWKINS: And that's a magnificent job you did.

25 SENATOR WAMPLER: We referred two matters to other committees,  
26 enhancing the growth of beef production in Southside Virginia to the Agribusiness Committee as we  
27 did with the Appalachian Legacy Marketing Tourism Through Heritage Products.

28 Remaining within the Committee and taking no action was the Southside Business  
29 Initiative, Southwest Virginia Economic Development Alliance, and a medical center for a  
30 community in Southside. That ends the report, Mr. Chairman.

31 SENATOR HAWKINS: Thank you, Senator Wampler. Next will be Senator  
32 Ruff, Education Committee Report.

33 SENATOR RUFF: Thank you, Mr. Chairman and the Commission, and I would  
34 like to thank you all for the commitment you made last year for the scholarships and the commitment  
35 you made earlier today to continue that funding. When we did that we did 2.8 million for Southside  
36 and one million for Southwest, and we took two different directions. The Southwest area really  
37 focused on the grower families, and the Southside communities focused our efforts in the first year in  
38 the realm of education. Those young people who are willing to commit to coming back to one of the  
39 twenty-two school districts in Southside Virginia we would fund up to four thousand dollars tuition a  
40 year. We believe we made some great progress in getting some young people to commit to come  
41 back.

42 This year we have committed, or we're trying to expand into the medical field, Allied  
43 Services of Medicine, and we do not have a proposal at this time because we're still working out the  
44 details so we can go ahead and move forward with the educational scholarships for those that want to

1 go into teaching.

2 There are three things we need to take action on today. Last year we dealt with four-year  
3 colleges, and we were a little stupid because we ignored those young people who were willing to go  
4 to the community colleges for two years and then transfer to a four-year college. What I'm asking  
5 you to do first today is to approve forty thousand, and that's ten thousand dollars for each of the four  
6 community colleges in Southside, and ten thousand dollars a piece would go to their education  
7 foundation with a commitment of those community colleges that they will spend that money on  
8 scholarships to those young people willing to commit to go into education. I so move.

9 Southwest would deal with their own plan.

10 SENATOR HAWKINS: It's been moved and seconded that the four community  
11 colleges in the Southside area each receive ten thousand dollars, any questions or comments? All in  
12 favor say aye? (Ayes.) Opposed? (No response.) That's carried.

13 SENATOR RUFF: Mr. Chairman, the second issue is the education money, we  
14 left some money on the table so we could work out some detail, and the first one was a consortium of  
15 four hospitals, Emporia, South Hill, South Boston and Farmville, that are in the process of starting a  
16 nursing training program. The request there is for you to approve that.

17 I would move two hundred and forty-eight thousand one hundred twenty dollars, and this  
18 is for a program that the four hospitals are working together on.

19 SENATOR HAWKINS: It's been moved and seconded that we fund this nursing  
20 training. Any questions or comments? All those in favor, say aye? (Ayes.) Opposed? (No  
21 response.)

22 SENATOR RUFF: Mr. Chairman, there were two proposals from Patrick  
23 County that received the support of the Committee this morning. One is for a hundred thousand  
24 dollars for the Patrick County Education Foundation, and the other hundred thousand for the public  
25 school system. I would ask you to vote on those as a unit of one. I would move that.

26 SENATOR HAWKINS: It's been moved and seconded, any discussion? All in  
27 favor say aye? (Ayes.) Opposed? (No response.) Motion carries.

28 SENATOR RUFF: Thank you, Mr. Chairman.

29 SENATOR WAMPLER: Senator Ruff, where do we stand on the allocation of  
30 dollars for scholarships for the two regions so that college students that plan on going --

31 SENATOR RUFF: -- The action we took this morning on the budget allocated  
32 3.8 million dollars for scholarships, which is level from last year, which was one million for  
33 Southwest and 2.8 for Southside. When the full budget is passed in July, at that time the Committee  
34 will decide whether we need to put more money into scholarships or it goes out.

35 SENATOR WAMPLER: Mr. Chairman, so we start with the basis of one  
36 million and 2.8 for Southside and Southwest?

37 SENATOR RUFF: That is correct.

38 SENATOR HAWKINS: Mr. Majors has arrived from Danville, and I'll ask him  
39 to address us now. Thank you all for letting us pull this item out of the Agenda. It is somewhat of a  
40 departure for the Commission due to the fact that we're being asked to give money to the Institute  
41 directly as a grant as opposed to the formulary of Pittsylvania County and Danville, which has been  
42 the driving force for this Institute, and their allocation pays for all of the activities to date, plus the  
43 money that's been invested by the city of Danville, water and sewer and public and private  
44 individuals who have contributed money. A million two in private moneys from private foundations

1 have gone into the operation of this.

2 At the beginning of this discussion let me begin by trying to capsulize what I believe is  
3 the charge of this Commission. In trying to redefine the economies that have been built on  
4 historically industries of textile, tobacco, furniture and those are the things that have provided great  
5 wealth for many generations, are no longer growth industries. We started looking at the entire region  
6 and trying to figure out what we can do to put in place certain projects that would redefine these  
7 economies and refocus attention on outside investors and define who we are as a community. What  
8 we could do to change the dynamics by two or three bold strokes to give people a different feel of the  
9 intensity of our understanding of this marketplace that we live in.

10 One of those was the e58 project, which was a bold undertaking, driven by this  
11 Commission to put in place high speed Internet connectors down the 58 corridor to bring all our  
12 communities the availability of the next generation of telecommunications. That would give us a  
13 window of economic opportunity, and we would have something that no one else has. That ties all of  
14 our communities together with the ability to be able to attract the types of industries and small  
15 businesses that we can create the next generation of ownership.

16 I strongly believe that the problems we face are driven as much by the lack of ownership  
17 as it is by the lack of jobs. If we don't get board rooms back in this area and ownership of businesses,  
18 and continue to have to depend on outside sources to create our economy by bringing jobs to us,  
19 we're not going to build a foundation that we've been used to in these areas that we represent.  
20 Historically, the Bassett's, the Lane's, the Schofield's, and you can go through a list of people like the  
21 Leggett's have developed industries and businesses that provided economic opportunities in areas that  
22 stayed with us in good times and bad times. Historically, they reinvested in the communities. People  
23 that are on boards live in the communities and their wealth goes into the communities. In order to  
24 bring in that level of expertise and entrepreneurial enterprises, e58 gives us an opportunity by  
25 allowing kids leaving our research universities like Tech and UVA to be able to come back home and  
26 have the availability to plant the seeds of their own creation to create the next generation of jobs, and  
27 e58 does that.

28 In order to bring it together as a focal point, the Southside Economic Development people  
29 as well as the Future of the Piedmont, which Mr. Majors is part of, understood that the problems we  
30 faced, too, is that without the availability of Interstate highways, without the availability of  
31 international airports, without the availability of a major research university, that we were not going  
32 to accomplish what we needed to accomplish here. The location of Danville and Pittsylvania County  
33 put us in the center of the e58 project as well as stayed the population density that is needed for a  
34 support system in place for this type of initiative.

35 Mr. Majors, with others, also understood the importance of the Averett University  
36 connector, VPI and Danville Community College forming a partnership that would offer to these  
37 communities the next generation of research components within our localities.

38 The Institute for Advanced Technology is not a higher education center, but it is Virginia  
39 Tech working with our local colleges and universities to build a research component in Southside  
40 Virginia, a major research component that utilizes the assets that the community of Danville happens  
41 to have in place, which is an airport that NASA is looking at today to develop the next generation of  
42 navigable aircraft, and obviously with VIR using the track facility and using that for vehicle  
43 exploration and using the research components of the Danville Community Center to be able to work  
44 things out in Patrick County and with the research and other sources and products that will come out

1 of the research university center.

2 Through the leadership of these communities, and I want to applaud Pittsylvania County  
3 and the city of Danville, because they came to the plate with a different idea than any one had. When  
4 you think about what we're trying to put in place, it's something totally unique for us. Years ago Dick  
5 Zasloff from Northern Virginia head of the Senate Finance Committee, came down here and born and  
6 raised in Virginia and very successful. He came to the area and said, unless you put a major college  
7 in this area, it'll never move. That has resonated throughout this community for years. This gives us,  
8 not just Danville and Pittsylvania County, I honestly believe this will give us an opportunity to  
9 develop the synergy in the center part of our area so every community can benefit from the  
10 availability of this research component. The reason why I had this particular one pulled out, it is  
11 annex facility for the Danville research component, the Institute component, and that would allow  
12 businesses to use that.

13 I'm now going to turn this over to Mr. Majors who can give you the business perspective  
14 of what this really does.

15 MR. MAJORS: Thank you, Mr. Chairman, my name is Charlie Majors, and I  
16 am President of American National Bank and Trust Company, which is a bank that is headquartered  
17 in Danville, and we have offices in Pittsylvania County, Danville, Halifax County, Martinsville and  
18 Henry County. We are what we'd like to call a true regional bank. The big banks call themselves  
19 regional banks, but we're what we call a true community regional bank. I appreciate the opportunity  
20 to speak to you today about what I think is very important, not only for Danville and Pittsylvania  
21 County, but for this entire region. When I say this region I'm speaking of the Tobacco Commission  
22 region, because I think it is.

23 The Institute for Advanced Learning and Research is a tremendous opportunity that we as  
24 the business community in our area see as an opportunity for this entire area. For the Tobacco  
25 Commission I think this could be the gem of what you're doing, and I think it can have tremendous  
26 benefits for the entire region. It has done several important things already, and the research  
27 component is critical. It has brought about regionalism and a spirit of cooperation, first in Danville  
28 and Pittsylvania County and now other areas which are participating with us. It is promoting the kind  
29 of regionalism that I know you talked about. It is important if this area is going to succeed. It is a  
30 pilot program that I think there is a tremendous opportunity for the whole region and for the state. It  
31 can show what can be done, and it can do things that can then be utilized and replicated in other parts  
32 of the Commonwealth and the Commission area and even other parts of the state. I don't think  
33 Virginia Tech would have been interested in this thing if it had not been an opportunity for them to  
34 show how they can really utilize their commitment to extension and to a new way to redirect and  
35 transform the economy. If it works in this area it can work in other areas as well. It is an opportunity  
36 for us to utilize funds in an appropriate way. This two million dollars will leverage another  
37 three million that EDA is going to put with this to provide this research addition that will be available  
38 for private companies to do research. The Chairman is correct, and I think the real opportunity for us  
39 as a region to really succeed we've got to develop businesses and ownership within the region and  
40 that is critical. We certainly see that in the banking business. We know if we can get small  
41 businesses started and if we can grow those businesses they become very important to not only the  
42 economy but also social aspects of redeveloping the area. So business people in the Future of the  
43 Piedmont Foundation and the business people who are working to try to make sure that this is a  
44 success believe this is critical to our development. It's not something that just politicians can do or

1 governments can do, but the business community has to be involved in it.

2 I can tell you that we're committed to making it work and making it successful and finding  
3 ways that it helps not just Danville and Pittsylvania County and Halifax but that extends out farther  
4 into the remainder of the region. Thank you.

5 SENATOR HAWKINS: In order for us to meet the challenges of this century  
6 we have to put in place the network that provides the type of infrastructure to compete, and without  
7 these things we cannot do it. What you've seen take place in the regions we've talked about,  
8 commitments from boards of supervisors and city councils to try to think outside the normal  
9 ramifications of economic development and put something else in place that makes a difference. By  
10 doing so it sprouts a tree that everyone benefits from. Everyone will benefit. It's like prosperity, it  
11 shines on everyone. This is something that we need to understand the importance of. This and e58  
12 redefine our communities, and when people look at us in the future they see us as forward thinking  
13 with an understanding of the world we live in and puts in place things that give our people the ability  
14 to compete, because we cannot afford to lose another generation.

15 The request for this money is out of the ordinary, and there are those that think this is a  
16 Danville-Pittsylvania County initiative and therefore should be funded entirely by their money, and  
17 we've done that in our area. Danville and Pittsylvania County have come to the table time after time  
18 with their money. The two million they're requesting is leveraged by another three million grant  
19 money from the federal government, so you have five million dollars that will build this and provide  
20 an opportunity for all of us. This just gives us an opportunity to compete in the future, and it helps  
21 the children that live here, and if it wasn't I wouldn't be supportive of it.

22 Having said that, are there any comments?

23 SENATOR WAMPLER: Mr. Chairman, the Special Projects Committee met  
24 and reviewed the application for two million dollars, and in terms of leveraging there is a three  
25 million dollar Economic Development Administration grant, and it's time-sensitive, and that's why  
26 we recommended the measure that we did to support two million dollars of funding which would  
27 complete the two hundred and forty thousand square foot building for research and development. I  
28 so move.

29 SENATOR HAWKINS: It's been moved and seconded. Any comments?

30 MS. TERRY: Mr. Chairman, I'd like to ask a question. I'm certainly not  
31 disagreeing with you about the potential across the region in our part of the state, but it's my  
32 understanding by statute the governing of this facility is strictly to the people from Danville and  
33 Pittsylvania County, even in an ex-officio capacity or appointment by the Governor to that area.  
34 Would it be appropriate, Mr. Chairman, as part of this, for there to be an agreement among, the  
35 statute provides in January, which we all could talk about now, which would change the government  
36 structure to reflect the region to be served?

37 SENATOR HAWKINS: Point well taken, and we've had this discussion before,  
38 I appreciate you bringing it up. The original legislation that Delegate Marshall put in is spelled out in  
39 the Commission, local. I give you my pledge that next year I'll put in legislation to expand that and  
40 make sure it's a more regional thrust.

41 MS. TERRY: Can we talk about that right now?

42 SENATOR HAWKINS: That's provided I'm re-elected next year.

43 MS. TERRY: Could we talk a little about the governing structure now? We  
44 could talk about what legislation the Chairman would put in in January. The governing structure is,



1 how many are on the Board?

2 MR. MAJORS: There are nine members on the Board, three are ex-officio  
3 members. The President of Virginia Tech, or his designee, and that happens to be right now Dr.  
4 Claude Jones, who is the Vice Provost. There are others. The President of Averett University or his  
5 designee, the President of the Community College or his designee. There are three appointments, and  
6 one by the House of Delegates, one by the Senate and one by the Governor. My understanding is,  
7 and I think I'm correct on this, that those appointments are not required to be from Danville or  
8 Pittsylvania County. Those appointments are made by those entities and are not under the legislation,  
9 but they are partly people within that area. I'm saying that's not a requirement under that legislation.  
10 The final three appointments are Pittsylvania County Board of Supervisors appoints as an  
11 appointment and City Council in Danville appointment, and the Chairman of the Future of the  
12 Piedmont Foundation or his designee, and those are the nine.

13 SENATOR HAWKINS: I'd also like to comment that the structure, of course,  
14 and I realize there needs to be a representative from the Henry County area and also the Halifax  
15 County area, and they're the ones that are getting direct benefit from this. I cannot tell you exactly  
16 how we need to do this, but I'll tell you, Ms. Terry, that in the process of trying to develop this  
17 latitude I'll talk to you, but I also need to also talk to the Board of Supervisors in Halifax and Henry  
18 County and the city of Martinsville and determine how we can structure that and make it work. I  
19 think it needs to be done, because we're not isolationist, and we need to start that.

20 MS. TERRY: Mr. Chairman, you were talking about the benefit of this  
21 throughout Southside, and I'm not challenging your statement about Southside. So it would seem to  
22 me that in the long-term the governing of this entity is going to be critically important. It may be one  
23 person from each locality or even two, it's not going to substantially affect the governing and the  
24 decisions made, so I'm just wondering.

25 SENATOR HAWKINS: The decision making, and in this conversation we're  
26 probably not going to be able to accomplish everything by the end of the day. We have a  
27 private/public partnership that's being envisioned with Averett University and Virginia Tech and  
28 Danville Community College and the academic components that they bring into play and working  
29 with the research components of Langley and other outside entities. I can tell you that there's people  
30 in place that have a great deal more knowledge about how the institute is put together than I have,  
31 and I would leave it up to their judgment.

32 As to the governing board itself, boards need to be able to respond to the communities, and  
33 the representation should reflect that. I've said many times to you I believe this board should reflect  
34 the community itself. The board right now reflects the community of Danville, Pittsylvania County  
35 and Virginia Tech and Averett University. I would certainly think it should include Halifax and  
36 Henry and Martinsville. How the structure is put in place I don't know, but I'm willing to work on  
37 that and make sure it happens. It does not interfere with the ability of us to make a decision on grant  
38 moneys that we could leverage in order to put this other building in place.

39 This discussion is one that was very important to me personally, because a lot of comments  
40 as to how we change the economy. With the leadership of Mr. Majors and other individuals in our  
41 area and what they bring to the table I think should all be embraced, and I think we all agree with  
42 that. Having said that, I don't have any other answer for you.

43 MS. TERRY: I certainly commend the public and private leadership. I was  
44 focusing more on the regionalism than the governing structure. I'd feel more comfortable.

1 SENATOR HAWKINS: I can assure you that I will talk to the Administration  
2 and figure out how to structure it. Is there a second? All right. There's a second. Any further  
3 discussion? All in favor? (Ayes) Opposed? (No response.) Thank you all.

4  
5 NOTE: A luncheon recess is had whereupon, the meeting continues,  
6 viz:

7  
8 SENATOR HAWKINS: Let's continue. In front of you you will find a gift bag,  
9 and in five of those bags there are vouchers. Whoever gets a voucher may redeem it for a gift when  
10 they check out later this afternoon. The gifts are located in the green room adjacent to the  
11 registration desk. In the vouchers there are such things as South Boston Speedway, VIR Race Track,  
12 et cetera. If you've got a ticket in your bag, you can claim one of these gifts.

13 Before we get started this afternoon I want to thank the Staff. You all deserve a great deal  
14 of credit, and you put up with a whole lot of pressure to get these meetings going, and it's no small  
15 task getting this stuff together and preparing us with the information we need so we can make these  
16 decisions. To my knowledge, in the four years I've been on this Commission I've never seen things  
17 run as smoothly and work as well as they have, and it's due to the planning that's gone into this. I  
18 personally want to thank each and every one of the Staff members for that.

19 Next on the Agenda is CropTech, and we need to have a discussion on that. We have a  
20 fairly large interest in this. Those of you that are new to the Commission may not be fully aware of  
21 CropTech-Tobio Initiative we started some time ago. We tried to invest in, and I still think it was a  
22 very viable option for an agriculture product where they were using the tobacco plants for new  
23 pharmaceuticals and using the tobacco leaf, which was quite a novel approach creating fairly  
24 inexpensive pharmaceuticals for the market. Tobio was working with Virginia Tech at the time, and  
25 they spun off into a separate corporation and we invested and they tried to do various things, and that  
26 did not work out. We had asked them time and time again to update us on their financing and put in  
27 place a business plan so we would know where we were going, and we were never able to work those  
28 things out with the principals involved, and we backed out of our agreement with them. Then they  
29 went to South Carolina and tried to find investors. That has not panned out for them, and I  
30 understand they're looking at bankruptcy. If that's the case we have a hundred thousand shares of  
31 stock in this company, and we need to understand the intellectual properties, and we need to make  
32 sure we have an opportunity to discuss the viability of those things. I believe there's still a market,  
33 and at some point this is going to be worth the time we spend with them. Having said that, any  
34 questions prior to getting into the discussion? Frank.

35 MR. FERGUSON: I obviously don't have a lot to add to what the Chairman  
36 said. If any of you have questions about how the deal was originally set up we can talk about that.  
37 Certainly one of the driving considerations for the Commission at the time this loan was approved  
38 was the fact that the goal of CropTech was a fundamental goal of the Commission, which was to find  
39 alternative uses for tobacco and reduce dependence on a smoking or ingestible form of tobacco. The  
40 structure of what the Commission did was actually a loan to an organization called Tobio, which I  
41 think most of you are familiar with. It is essentially a co-op of growers who had an agreement with  
42 CropTech to supply tobacco they would need for their processing. In turn Tobio as part of their deal  
43 with CropTech contributed the proceeds of that loan to the CropTech Venture. The total loan amount  
44 was two million dollars. As security for that loan then Tobio in turn purchased stock from CropTech.

1 As security for the loan Tobio then pledged that stock to the Commission, and the Commission  
2 actually holds that stock as collateral for the loan. The par value of that stock is about a million and a  
3 half dollars or one and a half million, a hundred thousand shares. I don't think anyone would tell you  
4 it has a market value of a one and a half million dollars, and I don't know if it has a market value of a  
5 dollar and a half, but it does give us an ownership interest or a potential ability to, a creditor's interest  
6 is more accurate, I should say, against CropTech should they in fact file for bankruptcy. What  
7 Carthan and I have done so far through Tobio, and we're really, we're in a contract with Tobio and not  
8 CropTech, and have been in contact with them and urged them, in fact we will insist, and I'm sure  
9 they'll be happy to assert whatever rights they have in a bankruptcy proceeding as a creditor. We will  
10 look at whatever assets CropTech or may become available as a result of the Chapter 11 or some  
11 other bankruptcy proceeding, and we will assert our right to get proceeds from that sale or  
12 alternatively to satisfy the debt that CropTech has to Tobio and Tobio in turn to us. Whether or not  
13 we'll be able to hold that asset if we obtain it, and all this is very speculative at this point, whether or  
14 not we're able to hold that asset or not I think requires further research. It may be necessary then that  
15 we pass it on to some public institution, for example. It may end up back in Virginia Tech's hands,  
16 but in any event we are pursuing that. I have not been advised with certainty that they've actually  
17 filed yet. Does anyone know that?

18 MR. MAYHEW: Chris Cooke faxed me a copy of a mail-out, and that's been  
19 about three weeks or more now. Part of that was a letter to their stockholders saying that they were  
20 indeed seeking that. I don't know if they've done it or not.

21 MR. FERGUSON: In such time as they file or shortly thereafter Tobio as a  
22 creditor should receive a notification from the bankruptcy court of a creditors' meeting and that sort  
23 of thing, and at that point we'll be able to engage.

24 SENATOR HAWKINS: Are these intellectual properties, since they were  
25 developed at Virginia Tech, does Tech have a claim or patents?

26 MR. FERGUSON: I don't know the answer to that, because I don't know  
27 exactly what was the nature of the separation when CropTech became an independent entity. My  
28 recollection from the discussion at the time was that Virginia Tech does not, but I stand to be  
29 corrected.

30 MR. MAYHEW: I understand they were to receive a percentage.

31 SENATOR HAWKINS: Frank, is it to our advantage to go ahead and proceed  
32 the way we're doing or to be more aggressive? What should we do?

33 MR. FERGUSON: They were looking to move to South Carolina, and Carthan  
34 and I spent a great deal of energy, and we pursued several avenues to try to find out what the nature  
35 of the deal with South Carolina was. We thought there was going to be some cash incentives offered  
36 to move them and that that might be some assets that we could, or they might be willing to buy back  
37 some of their stock, if they're going to be in South Carolina they didn't have this hold against them in  
38 Virginia. We were never able to get a good answer to that, and I suppose in hindsight we know why,  
39 because I don't think the deal ever came to fruition and the move never occurred, and I don't think the  
40 money ever exchanged hands.

41 MR. MAYHEW: I think one of the major incentives for them to go to South  
42 Carolina was to a brand new state of the art facility, and they were going to be designing buildings  
43 for them to use, and beyond that point there was a tax advantage rather than cash money up front.

44 MR. FERGUSON: I think Mr. Mayhew is exactly right, but we never got a full

1 disclosure on what the deal was. We suspected that was it, and what we did hear confirmed that it  
2 was it, and probably if they could do the same deal in Virginia that's the kind of deal they could have  
3 got here. But those of you on the Commission at the time will recall that they came to us to stay in  
4 Virginia, and for a whole lot of reasons the Commission decided it was imprudent to put further  
5 money into that venture.

6 SENATOR HAWKINS: Thank you, Frank. I think we need to understand the  
7 technology that was being discussed at the time to cut the production of these new drugs as well as  
8 pharmaceuticals by ninety percent. So when you talk about a worldwide market it would be an  
9 unbelievable product if it worked. I hope we can still pursue that if in fact these things come on the  
10 market.

11 MR. FERGUSON: I've heard nothing to indicate the notion or the science that  
12 the goal at some point down the road is still not a viable one. The long and short of it is that they  
13 were undercapitalized and did not have a business plan that would get them there.

14 SECRETARY SCHEWEL: Was Tobio an equity investor in CropTech or did  
15 they lend to CropTech?

16 MR. FERGUSON: I would say they were an equity investor, because they hold  
17 stock in the company.

18 SECRETARY SCHEWEL: That's what it sounds like, and it seems to me that if  
19 that's the case and we hold that stock as a creditor of Tobio and none of this is looking too good in a  
20 bankruptcy with CropTech and we're not a secured creditor, and the equity is going to get squashed  
21 by the creditor.

22 MR. FERGUSON: The creditor to CropTech is Tobio.

23 SECRETARY SCHEWEL: They're a shareholder and not a creditor.

24 MR. FERGUSON: I stand corrected, that's correct. I don't know what other  
25 kind of loan CropTech has or whether they're secured, and I suppose there are some, but there's  
26 nothing really to, as the Chairman said, as far as we are aware, the only significant asset is  
27 intellectual property, and they might have a little equipment or some lease holds, but none of which  
28 are particularly marketable.

29 SENATOR HAWKINS: As we go through this we need to be mindful of any  
30 court proceedings. I'm not sure exactly what we can do. I was asked by someone if this was a bad  
31 decision on our part, and we're here to try to find alternative means to be able to stabilize the family  
32 farm, and it was a legitimate effort, and that still could bear fruit. I was very pleased to be able to  
33 work with Tobio.

34 MR. FERGUSON: I might add to that, Mr. Chairman, there's been some  
35 question today about the due diligence necessary before some of these loans or grants or other deal  
36 making situations. This one probably had more due diligence than any other venture that this  
37 Commission engaged in, and everyone knew that it was a highly risky one, and as I recall the  
38 decision of the Commission was weighing that against it being such a fundamental core mission of  
39 this Commission, and the potential returns that could bear fruit was worth the risk. I don't know if  
40 anyone is particularly surprised by the outcome, but it is disappointing.

41 SENATOR HAWKINS: I think we all are. We'll be kept aware of the situation,  
42 and I thank you for your help.

43 Ms. Wagner is up next to talk about securitization update. Jody, thank you, and we've had  
44 an interesting few weeks.

1 MS. WAGNER: I've been sitting here thinking during this Commission meeting  
2 about how long it has been since I was with you in Richmond. It's been seventy-seven days. Fifty-  
3 four of those were clearly the longest fifty-four days of my professional life. I want to share with you  
4 a little bit about what went on. Senator Wampler and Senator Hawkins lived some of that with me,  
5 and they could sort of feel our pain.

6 On February 6th the Commission approved the long-range plan, which was really critical  
7 to us being able to go forward and proceed with the securitization. As you recall if you use proceeds  
8 in some ways such as indemnification, scholarships, operating expenses, you can't use tax exempt  
9 funds. You have to use taxable funds, taxable offering. We had to have a sense of how much was  
10 going to be used for things that we could not use tax exempt financing for and how much was used  
11 for tax exempt purposes like building buildings and infrastructure. The Commission on February 6th  
12 answered that question, and you approved the 80/20 split, eighty percent tax exempt, twenty percent  
13 taxable. We immediately marched off and amended the documents to fit that criteria and filed with  
14 the rating agency. We began a discussion with them through our underwriters and what kind of rating  
15 they were going to give us.

16 At the same time the Tobacco Financing Settlement Corporation, which is the entity that's  
17 charged with actually securitizing, started its work. March 5th it met and approved the securitization  
18 and appointed a Pricing Committee to approve the pricing of the transaction, and that committee was  
19 ready to go to New York or do whatever was necessary to price the bonds. On March 5th we were  
20 told we had an A-1 rating from Moody's and the equivalent of A-1 from the other two rating agencies,  
21 and we were ready to go. On March 7th we printed the preliminary offering circular and circulated it.  
22 The following week we had a road show, and between March 12th and 14th the head of the Debt  
23 Department for Treasury went to New York and met with institutional investors and talked to them  
24 about the transaction. On March 17th we had two retail brokerage meetings, one in Northern  
25 Virginia and one in Richmond, which went well. The goal we always had was to have as much as  
26 possible retail participation, because that helps set the floor and helps the pricing. As you recall  
27 when we met on February 6th we thought there was going to be, or the examples you got in the  
28 Proforma assumed a 7.15 percent total interest cost, which was much higher than anybody wanted,  
29 but that's what we thought it might end up being, based on California's experience recently. On  
30 March 18th all of our efforts were geared toward driving the interest rate down, and retail  
31 participation is one way to drive it down. On March 18th the New York Times printed a front-page  
32 article talking about a Justice Department suit against tobacco companies which had been started  
33 during the Clinton administration and everybody thought it was dormant, and now we heard the  
34 Justice Department was going to go forward with it. Nothing imminent was happening, but they just  
35 happened to choose that day to write the article. That sent shivers through the entire working group,  
36 because suddenly we had bad press right before we were going to do this deal. We had a conference  
37 call on the 18th and we said, do we delay, do we go forward, and it was decided we had already had  
38 the brokerage meeting and everything was good to go, or do we accelerate. We decided, no, we'll  
39 stay firm, and we're supposed to price them on the 19th, next day, for retail, and we're going to do it  
40 and keep going. On March 19th the Pricing Committee came together and set the price for the retail  
41 participation. The retail brokers went out and sold the bonds and sold twenty-seven percent of the  
42 tax exempt issue, which is one of the largest retail participations in the tobacco securitization, and  
43 blew away the numbers that anyone else has been able to achieve. Part of it is the Virginia name, and  
44 part of it was the effort of the underwriting group, and part of it was probably luck, and we were

1 excited at the outcome. On March 18th another thing happened which is when President Bush  
2 announced his forty-eight hours, and the forty-eight hours was supposed to run out just as we landed  
3 in New York to do the pricing. We thought, well, maybe we ought to not go to New York and do it  
4 from Virginia. We went through the same conversation, do we delay or do we go forward, do we  
5 price, do we not price. We decided to go forward and keep going. On March 19th we priced the  
6 retail and got up the next morning hoping we could go forward with the transaction, and at eleven  
7 o'clock we priced the tax exempt portion. Senator Wampler was physically there watching it. As we  
8 were pricing them, Secretary Rumsfeld was on TV going through his declarations against Iraq, and  
9 they were beginning to bomb Iraq, and we weren't sure what was happening. We somehow timed it  
10 and got in and got the price and the tax exempt portion priced nicely. A few minutes later the  
11 underwriter called back, and we were supposed to price the tax exempt at 1:30. He called at 11:45  
12 and said, we're nervous about what's happening in the market right now, can we accelerate the taxable  
13 pricing till noon, and we said, no problem, we'll price at noon. We ended up with a blended interest  
14 cost of 6.56 percent, which we were ecstatic about, because that far exceeded what we thought was  
15 doable at that time. We thought we were done, and I took some price calls, and somebody called and  
16 told us we had the only good bond sale in the entire country that day, and we were very pleased with  
17 ourselves. Unfortunately, the next morning we woke up and a judge in Illinois decided to announce  
18 the Miles decision. The Miles case, for those of you that aren't familiar with it, although I'm sure  
19 most of you read enough about it by this time. It's a class action lawsuit where the claimants are  
20 alleging that Philip Morris failed or misrepresented the value of light cigarettes and falsely advertised  
21 them and indicated there was going to be less tar and nicotine because of the lights, when in fact  
22 allegedly they knew that was not the case. The judge gave a 7.1 billion compensatory damages  
23 verdict and a three billion dollar punitive damage. It was a ten billion dollar verdict but a twelve  
24 billion dollar bond in order to appeal it. This sent all sort of reactions through the bond rating agency  
25 community and the market. An adverse rating action was taken against the Altria Group by all the  
26 rating agencies, and they all put them on alert. The week of March 24th the Altria Group ratings  
27 were posted on negative watch by all three rating agencies. The tobacco bond ratings, which is what  
28 we were dependent on, are based on tobacco sales and tobacco payments of these companies were all  
29 placed on watch. For those of you that may not be aware, Philip Morris accounts for fifty percent of  
30 the tobacco MSA payments. Philip Morris stated in its 10K that it may not have adequate cash to  
31 post a bond if bonds were downgraded. Philip Morris issued a letter to the Attorney General's  
32 Offices in forty-six states saying that although they wanted to make their April 15th MSA payment  
33 they may not be able to because they have to post the bond. We at the Treasury Department held our  
34 breath and hoped that we'd get a closing and everything would go away, but unfortunately on  
35 Monday, March 31st, Moody's downgraded Altria's rating from A-2 to B-001 and downgraded the  
36 rating of all tobacco bonds, including the bonds we had issued, or intended to issue, and they went  
37 from A-1 to A-3. Fitch downgraded Altria Group also, and Standard & Poor's had a conference call  
38 where they talked about downgrading it. The tobacco market sold out very quickly, and there was a  
39 lot of disruption in the marketplace. On March 31st at about 4:00 we had a conference call with the  
40 underwriters, they said we aren't sure we can close this, we were getting ready to close April 3rd,  
41 they said, we're not sure we're going to be able to close this, let's talk tomorrow. The next morning  
42 we had a conference call at 10:00 or 10:30, and Senator Hawkins was on the line, and Senator  
43 Wampler was on it, and the underwriters advised us that they could not close at that time. I think I  
44 said something like, what if we told you we wanted to close. Their response was, there'd be nobody

1 to pay for the bonds. That afternoon Virginia issued a press release, our office issued a press release  
2 saying that we deferred the transaction, and that is where the transaction stood. Since that time the  
3 week of April 7th the Illinois court blocked three billion dollars off of the judgment, the punitive  
4 portion, because it was determined that was inappropriate, and S&P lowered Altria's rating, and the  
5 market continued to trade very thinly. On April 14th the judge in the Miles case reached an  
6 agreement with Philip Morris and allowed them to post a bond that was more palatable, and on April  
7 15th Philip Morris made the payment. There was a lot of disruption, but ultimately the payment did  
8 get made. On Friday, April 18th, S&P downgraded Altria and downgraded all the tobacco bonds by  
9 one rating. The yields on the bonds at this point were trading at between 7.55 percent and 7.65  
10 percent. The week of April 21st the lawyers for Philip Morris appealed. On April 22nd, seems like a  
11 long time ago although it's only two days ago, Moody's downgraded the Altria Group for a second  
12 time, citing reduced financial flexibility of the bonds, and the yield had widened to 7.7 percent  
13 roughly. As of yesterday in response to the Moody's second downgrade there's been very thin trading  
14 of the bonds.

15 Where we are today I don't know. If I could foresee what would happen in the bond  
16 market and these tobacco bonds, I'd be some sort of psychic. We don't know what will happen, we're  
17 going to watch the market, and we'll stay in close contact with Carthan and Stephane, Senator  
18 Hawkins and Senator Wampler. If it becomes financially feasible to move forward, we know you  
19 want to, and we'll certainly proceed accordingly. On the one hand it's very upsetting to all of us we  
20 weren't able to complete the transaction and we were three days away. On the other hand, twenty-  
21 seven percent of the investors were Virginia residents, and they were your citizens. Yesterday I had a  
22 call with a broker, his clients that are the grandmothers and grandfathers and the children that are  
23 dependent on money for retirement and their grandchildren's college education were very relieved  
24 when we pulled back, because otherwise they would have suffered a huge loss by having to pay for  
25 the bonds that had been downgraded. While it's very unfortunate for the Commission and very  
26 unfortunate for Virginia, there are Virginia citizens that are relieved that Virginia didn't go through  
27 with it.

28 SENATOR HAWKINS: Thank you, Jody. Any questions of Jody?

29 MR. OWEN: Was there a specific condition to closing that the underwriters  
30 had, or was it just a material adverse change?

31 MS. WAGNER: The bond purchase agreement had a very standard provision  
32 that if they downgrade the bonds they have a right to walk.

33 SENATOR HAWKINS: Any other questions? Thank you, Jody.

34 MS. WAGNER: We'll keep you advised.

35 SENATOR HAWKINS: That finishes up basically the Agenda. Senator  
36 Wampler.

37 SENATOR WAMPLER: There are two items the Commission might want to  
38 take up. The Agribusiness Committee is a committee with no cash, and we ought to remedy that  
39 before we adjourn today, and I believe we discussed it in the Executive Committee last night. Staff  
40 advises we have in the indemnification reserve an unobligated balance of one million four hundred  
41 and seventy-three thousand five hundred and ninety-four dollars. I would make a motion that we  
42 transfer that balance previously stated to the Agribusiness Committee so they can get on with the  
43 business of trying to do what they need to do.

44 SENATOR HAWKINS: Delegate Johnson cannot hold a meeting until he has

1 some money and answer some of the requests that are in place. This will not affect anyone's  
2 allocations that we have. It's moved and seconded, is there any discussion?

3 MR. FERGUSON: Mr. Chairman, just for clarification, this is the reserve fund  
4 from the indemnification payments last year. Folks have a year to come in and make a claim if they  
5 didn't make them timely, we're still potentially obligated after a year. That actually expires June 14th.  
6 The money will actually be available to be reallocated to the Committee if that's the Commission's  
7 decision as of June 14th, it wouldn't happen before then.

8 SENATOR HAWKINS: That would give Delegate Johnson or his committee  
9 the money they need. It's been moved and seconded, any questions? All in favor say aye? (Ayes.)  
10 Opposed? (No response.)

11 SENATOR WAMPLER: Mr. Chairman, one other item the Executive  
12 Committee did not take up, and had we known about it we probably would, but the simple answer is  
13 we have a zero balance in the Deal Closing Fund, and I don't think we should adjourn the  
14 Commission with a zero balance in the Deal Closing Fund. Maybe Mr. Arthur has an idea where we  
15 might be able to find some of those dollars.

16 MR. ARTHUR: Mr. Chairman, I have investigated this and there's really only,  
17 not quite zero funds, three thousand dollars in the Deal Closing Fund. I would move that, due to the  
18 fact that the Deal Closing Fund is broke, that the Executive Director be allowed from time to time to  
19 transfer excess funds, not pledged or projected, to Deal Closings. We've got several right now and  
20 we can't move on it. The Executive Director should be able to coordinate with the committee chairs,  
21 and that the amount should not exceed 1.4 million dollars in total.

22 SENATOR HAWKINS: Deal closing moneys are those moneys that were used  
23 to complement the Governor's Opportunity Fund for industries and businesses that are moving into  
24 the area and need funds to be able to finish a deal out. They've served us well, and probably any  
25 number of businesses can point to jobs created through our program in both areas that are directly  
26 attributable to this amount of money. Of all the things we've been doing this has brought the most  
27 immediate results. I think your motion is well in order. Is there a second to that? All right. It's been  
28 moved and seconded --

29 SECRETARY SCHEWEL: -- Mr. Chairman, on June 30 when the new year  
30 starts will there be more other money allocated, this'll hold us for now?

31 SENATOR HAWKINS: Yes.

32 MR. ARTHUR: We've got at least two or three on the table that we need, and  
33 they're time-sensitive.

34 SENATOR HAWKINS: The motion is to give the Executive Director flexibility  
35 to transfer moneys that are not otherwise encumbered or obligated into this fund, the amount no more  
36 than a million four, upon approval and consultation with the committee chairs, and this allows  
37 flexibility to deal with some deal closings that are pending, and some of them are very time-sensitive.

38 DELEGATE HOGAN: Mr. Chairman, does this motion or this authority expire  
39 at the end of the calendar year? My understanding was the motion that it would be July 11th.

40 SENATOR HAWKINS: The next budget cycle.

41 DELEGATE HOGAN: Just so the motion states that.

42 MS. TERRY: Mr. Chairman, the Economic Development Committee has set  
43 aside two million dollars unserved localities. I assume we're not talking about taking that money?

44 SENATOR HAWKINS: No, that's obligated, we're talking about moneys that



1 aren't encumbered. In order to try to meet these needs, and occasionally we have to be able to  
2 transfer money to be able to guarantee that we're able to meet our obligations, and we don't plan to  
3 interfere with ongoing things. So it's moved and seconded, any discussion? All in favor say aye?  
4 (Ayes.) Opposed? (No response.) That passes.

5 Any other discussion before we're to go to public hearing?

6 SECRETARY SCHEWEL: One thing we've done with the Governor's  
7 Opportunity Fund is we've got to go back and see if the money that we set aside did what it was  
8 created for. Did they create the jobs they said and pay the salaries that they said? I'm wondering in  
9 two and a half years how long officially we've been taking grants from the Commission and whether  
10 it makes sense to start going out for projects that we have been committing to or investigating  
11 economic development or otherwise just systematically looking at our results and seeing if things are  
12 working out the way they planned, and if they didn't we can do a better job in the future.

13 SENATOR HAWKINS: Point well taken. About ninety percent of what we do  
14 is dovetailing, but there's about ten percent we probably need to track, and that's a good suggestion.  
15 I'll instruct the Executive Director to do that.

16 MS. TERRY: Mr. Chairman, I'd like to add the Education Committee to that.  
17 No reflection on the Education Committee, but there has not been an evaluation of the moneys up to  
18 this point. There's reports, but there's a difference between reporting and someone sitting back and  
19 evaluating. I would like to suggest that, and I think there's going to be an evaluation process going  
20 forward, but all of our committees we go retrospectively in evaluating how this money is being spent.

21 SENATOR HAWKINS: That's a sound policy, and I have no problem with  
22 people looking at our progress and make sure we're keeping on track. I'll instruct the Executive  
23 Director to work on that. I don't believe we need a motion on that. It's something I'll instruct him to  
24 do. Any other comments before we move on?

25 One other matter, over the year we have put in place a Sub-Committee dealing with some  
26 citizen members on the e58 project, and their work was culminated, putting information together  
27 based on working with Virginia Tech and some private vendors figuring out what they can offer in the  
28 way of a vision for e58. They have basically finished their task. I'll instruct the chair of the  
29 Telecommunications Sub-Committee and his members to take the report of Virginia Tech from the  
30 citizens' committee and by the next meeting or soon thereafter recommendations on how we start  
31 laying some line as quickly as we can to get this off the dime. We need to put a structure in place for  
32 management and an understanding of how we work across county and city lines and in using right-of-  
33 ways.

34 There's also another suggestion that Congressman Goode's office has offered that's fairly  
35 novel, and I hope you all have an opportunity to look at that. Borrowing the money from the federal  
36 government and building a line, and we would pay the federal government back, and there's other  
37 options, although I'm not sure of all of them. We need to look at that, and I don't know if it's viable or  
38 not, but it's something that we need to look at. Congressman Goode's office is willing to work with  
39 us on that. The main thing is that when you all meet bring back some options so we can continue the  
40 process to the point where we start laying cable. This has got to be done, and we've talked about it  
41 long enough.

42 Public comment time. Is there anyone in the audience that would like to make any  
43 comments? Going once, going twice, gone. Is there a motion to adjourn? As soon as we adjourn  
44 there'll be two meetings directly after this Commission meeting. The Executive Committee recessed

1 yesterday, and we'll go back into the Executive Committee meeting directly after this. Upon the  
2 adjournment of the Executive Committee, Mr. Owen's sub-committee will be meeting. Mr. Owen,  
3 we'll meet in the little red brick building where we had this morning's meeting.

4 Those of you on the Search Committee will be meeting right behind this room in the red  
5 brick building. All right. Thank you, very much. I thank everyone for coming. I hope everyone has  
6 enjoyed this wonderful retreat as much as I have. We're adjourned.

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8 PROCEEDINGS CONCLUDED.  
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14 CERTIFICATE OF THE COURT REPORTER  
15  
16

17 I, Medford W. Howard, Registered Professional Reporter and Notary Public for  
18 the State of Virginia at large, do hereby certify that I was the court reporter who took down and  
19 transcribed the proceedings of the **Full Commission when held on Thursday, April 24, 2003 at**  
20 **11:00 a.m. at the Berry Hill Conference Center, South Boston, Virginia.**

21 I further certify this is a true and accurate transcript to the best of my ability to  
22 hear and understand the proceedings.

23 Given under my hand this 30th day of April, 2003.  
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28 \_\_\_\_\_  
29 Medford W. Howard  
30 Registered Professional Reporter  
31 Notary Public for the State of Virginia at Large  
32  
33  
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35 My Commission Expires: October 31, 2006.